

Message Text

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R 290132Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 187321

E.O. 11652: GDS

TAGS: MASS, PARM, ESTC, ID, KS

SUBJECT: POSSIBLE INDONESIAN PURCHASE OF PATROL BOATS
FROM KOREA

REF: JAKARTA (240245Z APRIL 76 NOTAL) AND JAKARTA 9839

1. DEFENSE HAS ALSO BEEN APPROACHED BY THE TACOMA BOAT-BUILDING COMPANY WHICH CLAIMS THAT GOI IS SERIOUSLY INTERESTED IN PURCHASING FROM KOREA-TACOMA MARINA INDUSTRIES (KTMI) A KOREAN BUILT PATROL BOAT. TACOMA COMPLAINED INFORMALLY ABOUT THE PROPOSED TRANSACTION, NOTING THAT TERMS OF ITS MANUFACTURING LICENSE AGREEMENT WITH KTMI FOR PRODUCTION OF PATROL BOATS IN KOREA DO NOT PERMIT SALES TO THIRD COUNTRIES. ALSO, MUNITIONS CONTROL APPROVAL OF LICENSE AGREEMENT (MC CASE 141-74) STIPULATES THAT KTMI WILL "MANUFACTURE AND SELL TACOMA BOAT PRODUCTS
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TO THE GOVERNMENT OF KOREA ONLY. ANY THIRD COUNTRY SALE

MUST HAVE PRIOR U.S. GOVERNMENT APPROVAL ON A CASE-BY-CASE BASIS". MC CONDITION BASED UPON OUR STATUTORY RESPONSIBILITY TO CONTROL EXPORT OF MUNTIONS LIST ITEMS AND BEARS NO RELATION TO COMMERCIAL TERMS OF LICENSE AGREEMENT. LETTER OF APPROVAL CARRIED EXPRESS DISCLAIMER TO THIS EFFECT.

2. USG HAS OF COURSE NO PROBLEM WITH INDONESIA PURCHASING APPROPRIATE MILITARY EQUIPMENT FROM KOREA OR ANY OTHER FRIENDLY COUNTRY. WE HAVE NOT MADE A LEGAL EXAMINATION OF TACOMA'S CLAIM UNDER THE LICENSING AGREEMENT. WE UNDERSTAND THAT THE BOAT THE INDONESIANS ARE INTERESTED IN BUYING IS A MODIFIED VERSION OF THE PATROL BOAT COVERED BY ORIGINAL LICENSING AGREEMENT, WHICH KTMI APPARENTLY BELIEVES IS SUFFICIENTLY DIFFERENT FROM THE ORIGINAL AS TO REMOVE IT FROM THE PURVIEW OF THE AGREEMENT. THERE ARE ENOUGH ELEMENTS OF CONTROVERSY IN THE SITUATION, HOWEVER, TO THREATEN THE POSSIBILITY OF EXTENDED DELAYS RESULTING FROM POSSIBLE DISPUTE BETWEEN TACOMA AND KTMI SHOULD KTMI SEEK TO GO AHEAD WITH THE TRANSACTION WHETHER OR NOT USG APPROVAL IS GIVEN. WE ARE CONCERNED THAT THE GOI MAY MISINTERPRET SUCH DELAYS AS INVOLVING USG ACTIONS, POLICIES OR ATTITUDES. WE THEREFORE FEEL GOI SHOULD BE INFORMED OF TACOMA'S POSITION AND PREPARED FOR POSSIBILITY OF FURTHER LEGAL COMPLICATIONS BETWEEN TACOMA AND KTMI OVER WHICH THE USG MAY HAVE NO CONTROL, IF THE TRANSACTION IS PURSUED.

3. FOR SEOUL. FYI. TACOMA BOAT HAS BEEN NEGOTIATING DIRECTLY WITH INDONESIANS FOR SALE OF PSMMS, AND FEELS THAT KTMI IS UNDERCUTTING THEM IN VIOLATION OF LICENSING AGREEMENT. END FYI. EMBASSY SHOULD INFORM APPROPRIATE ROKG OFFICIALS OF TACOMA BOAT'S CONCERN OVER POSSIBLE KTMI SALE OF PATROL BOATS OR OTHER ITEMS TO INDONESIA WHICH MAY BE COVERED BY KTMI - TAKOMA BOAT AGREEMENT. EMBASSY SHOULD POINT OUT COMPLEX TECHNICAL NATURE OF CASE, AND INFORM ROK OFFICIALS THAT SALE MAY REQUIRE USG APPROVAL AS NOTED PARA 1.

4. FOR JAKARTA: REQUEST YOU INQUIRE IF GOI IS INTERESTED
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IN PURCHASING KTMI BOAT. IF ANSWER IS AFFIRMATIVE, YOU

SHOULD PROVIDE GOI WITH PARA 2 ABOVE NOTING THAT WE WOULD, OF COURSE, BE WILLING TO LOOK FURTHER INTO THE SITUATION IF GOI IS INTERESTED. KISSINGER

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